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Hearing Date: August 30, 2000 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

RANDALL'S ISLAND FAMILY GOLF CENTERS, INC., et al.,

Debtors.

Chapter 11
Case Nos. 00-41065 (smb) through 00-41188 (smb)

(Jointly Administered)

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OBJECTION OF BANK OF AMERICA, N.A. TO DEBTORS' MOTION FOR ORDER PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE EXTENDING THE EXCLUSIVE PERIODS DURING WHICH ONLY THE DEBTORS-IN-POSSESSION MAY FILE A CHAPTER 11 PLAN OR PLANS AND SOLICIT ACCEPTANCES OF SUCH PLAN OR PLANS

TO THE HONORABLE STUART M. BERNSTEIN,
CHIEF UNITED STATES BANKRUPTCY JUDGE:

Bank of America, N.A. ("BofA"), a secured creditor and party in interest, for its objection to Debtors' motion for order pursuant to section 1121(d) of the Bankruptcy Code extending the exclusive periods during which only the debtors-in-possession may file a Chapter 11 plan or plans and solicit acceptances of such plan or plans (the "Motion"), states as follows:

1. On or about August 18, 2000, the Debtors filed the Motion.

2. BofA is both a "Pre-Petition Secured Lender" and a "Non-Chase Lender", as those terms are defined in the Debtors' motion (the "DIP Motion") seeking authority for debtor-in-possession financing (the "DIP Facility").

3. BofA is not a lender in regard to the DIP Facility.

4. BofA is a Non-Chase Lender by virtue of, without limitation, certain notes which it holds, made by certain of the Debtors, secured by, without limitation, first liens on parcels of improved real property on which certain of the Debtors conduct their business.

5. Section 1121(b) of the Bankruptcy Code provides a debtor with the exclusive right, with certain exceptions, to file a chapter 11 plan within the first 120 days of a case. Section 1121(c)(3) of the Bankruptcy Code provides that if a debtor files a plan within its exclusive period, a debtor has an additional 60 days to solicit acceptances, during which time competing plans may not be filed.

6. The Debtors' 120-day and 180-day exclusive periods (the "Exclusive Periods") expire on September 1, 2000 and October 31, 2000, respectively.

7. In the Motion, the Debtors seek a 120-day extension of the Exclusive Periods in which to file a chapter 11 plan (from September 1, 2000 to December 30, 2000) and to solicit acceptances of such plan (from October 31, 2000 to February 28, 2001). The Debtors seek these extensions of the Exclusive Periods without prejudice to their ability to seek further extensions.

8. Pursuant to the provisions of section 1121(d) of the Bankruptcy Code, the Exclusive Periods may be increased, or decreased, for "cause."

9. Courts have identified factors to be considered when determining whether cause exists to extend the exclusive periods. These factors include: (i) the size and complexity of the chapter 11 case; (ii) the degree of progress that has been achieved by the debtor in the chapter 11 process; (iii) whether the debtor has, in good faith, shown progress in attempting to formulate a plan of reorganization; and (iv) whether the debtor is paying its bills as they come due. See In re McLean Indus., Inc., 87 B.R. 830, 834 (Bankr. S.D.N.Y. 1987) (citations omitted). Other factors include (i) whether the debtor has demonstrated reasonable prospects for filing a viable plan; (ii) whether the debtor has made progress in negotiations with creditors; and (iii) whether an unresolved contingency exists. See In re Express One International, Inc., 194 B.R. 98 (Bankr. E.D.Tex. 1996) (citations omitted).

10. Since at least August, 1999, the Debtors have known that they had to develop a plan to sell a significant portion of their properties in order to pay down their debt, and to presumably be left with properties that generate sufficient cash flow to support the

remaining debt service. The filing of these Bankruptcy Cases was not the beginning of that process, but the result of the unwillingness or inability of the Debtors to formulate, much less implement, such a plan. Prior to the Petition Date, the Debtors failed to implement such a plan; the Debtors have been unable to formulate such a plan post-petition to date; and the Debtors have made no showing that they have any prospect of proposing or succeeding in such a plan going forward.

11. In the Motion, the Debtors assert that they "have made substantial progress in their Chapter 11 cases." However, the only things the Debtors have accomplished in these cases are (i) the sale of 34 of the Debtors' properties for, upon information and belief, an aggregate price substantially less than the amount the Debtors paid for such properties, and which, upon information and belief, generated little, if any proceeds reducing the pre-petition lenders' debt and (ii) the failure to meet their projections, by a wide margin, which were submitted at the time the DIP Facility was obtained, resulting in the continued diminishment of the assets of the estates by using the DIP Facility to prop up their otherwise negative cashflow.

12. Contrary to the Debtors' assertions in the Motion, the Debtors have not "begun the process of evaluating business strategies that will enable the Debtors to formulate a viable plan of reorganization" "in consultation with" the creditors committee and the pre-petition bank group. BofA is not aware of any such consultation and/or was not included in any such consultation. Furthermore, BofA believes that a change in management is necessary and BofA lacks confidence in the Debtors' ability to reorganize based on the value of the Debtors' assets and based on the Debtors' operational results.

13. An examination of the Debtors' assets and liabilities indicates that it is virtually impossible for the Debtors to propose a viable plan since they will not be able to support the necessary debt service. The Debtors have not demonstrated reasonable prospects for filing a viable plan.

14. An examination of the Debtors' operational results indicates that (i) the Debtors have continued to lose money since the petition date, (ii) the Debtors project to lose even more money through the end of the year, (iii) the Debtors propose to draw on the DIP Facility to its limit to cover operational losses, resulting in the diminution of estate assets, and (iv) the Debtors have no projections for 2001 (and therefore do not have any ability to project how or if the DIP Facility is ever repaid).

15. "Cause" to extend the exclusivity periods does not exist when the Debtors are operating at a loss and when the Debtors have not shown, nor can they show, any improvement in their operational results. See McLean Industries, 87 B.R. at 834; In re Eua Power Corporation, 130 B.R. 118 (Bankr. D.N.H. 1991).

16. In considering the factors that some courts use in determining whether cause exists, the Debtors have not shown, and cannot show, without limitation, that they have made any progress, or that they can reasonably be expected to make any progress in the chapter 11 process or in their ability to formulate a plan of reorganization. Also, since the Debtors project that they must draw down on the DIP Facility in its entirety by the end of the year, and since the Debtors have no projections to show how or when the DIP Facility would be repaid, the Debtors have no ability to pay their bills as they come due.

17. The Debtors have the burden of proof in establishing that cause exists to extend the Exclusive Periods, and they have failed to meet that burden. McLean Industries, 87 B.R. at 834.

18. Under any circumstances, the ability of creditors and other parties in interest to file a plan in the event a chapter 11 trustee is appointed in these cases, as provided in section 1121(c)(1), must be preserved.

WHEREFORE, Bank of America, N.A., prays that the Court deny the Motion, and for such other and further relief as the Court deems just.

Dated: Garden City, New York
August 25, 2000

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